



mDR Limited

Second Quarter Financial Statements for the Period Ended 30 June 2014

1(a) An income statement (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year

In S\$'000	Notes	2Q-14	2Q-13	Inc/(Dec) %	YTD-14	YTD-13	Inc/(Dec) %
Revenue	1	66,557	78,912	-16%	151,879	160,828	-6%
Cost of sales	1	<u>(58,786)</u>	<u>(70,986)</u>	-17%	<u>(135,868)</u>	<u>(144,660)</u>	-6%
Gross profit	1	7,771	7,926	-2%	16,011	16,168	-1%
Other income	2	125	238	-47%	433	542	-20%
Administrative expenses	3	(5,319)	(5,320)	0%	(11,127)	(10,823)	3%
Other operating expenses	4	(2,459)	(2,225)	11%	(4,993)	(4,237)	18%
Finance costs	5	<u>(60)</u>	<u>(14)</u>	329%	<u>(105)</u>	<u>(27)</u>	289%
Total expenses		<u>(7,838)</u>	<u>(7,559)</u>	4%	<u>(16,225)</u>	<u>(15,087)</u>	8%
Operating profit before amortisation expense and income tax		<u>58</u>	<u>605</u>	-90%	<u>219</u>	<u>1,623</u>	-87%
Amortisation expense	6	<u>(246)</u>	<u>-</u>	N.M.	<u>(495)</u>	<u>-</u>	N.M.
(Loss) Profit before income tax		<u>(188)</u>	<u>605</u>	-131%	<u>(276)</u>	<u>1,623</u>	-117%
Income tax expense	7	<u>(91)</u>	<u>(103)</u>	-12%	<u>(171)</u>	<u>(259)</u>	-34%
(Loss) Profit for the period		<u>(279)</u>	<u>502</u>	-156%	<u>(447)</u>	<u>1,364</u>	-133%
Other comprehensive income							
<i>Items that may be reclassified subsequently to profit or loss</i>							
Currency translation differences arising on consolidation		<u>33</u>	<u>3</u>	1000%	<u>109</u>	<u>3</u>	3533%
Other comprehensive profit for the period, net of tax		<u>33</u>	<u>3</u>	1000%	<u>109</u>	<u>3</u>	3533%
Total comprehensive (loss) income for the period		<u><u>(246)</u></u>	<u><u>505</u></u>	-149%	<u><u>(338)</u></u>	<u><u>1,367</u></u>	-125%
(Loss) Profit attributable to:							
Owners of the Company		(110)	489	-122%	(29)	1,330	-102%
Non-controlling interests		(169)	13	-1400%	(418)	34	-1329%
Total comprehensive (loss) income		<u><u>(279)</u></u>	<u><u>502</u></u>	-156%	<u><u>(447)</u></u>	<u><u>1,364</u></u>	-133%
Total comprehensive (loss) income attributable to:							
Owners of the Company		(85)	492	-117%	72	1,333	-95%
Non-controlling interests		<u>(161)</u>	<u>13</u>	-1338%	<u>(410)</u>	<u>34</u>	-1306%
		<u><u>(246)</u></u>	<u><u>505</u></u>	-149%	<u><u>(338)</u></u>	<u><u>1,367</u></u>	-125%

N.M. : Not Meaningful

1(a)(i) Breakdown and explanatory notes to the income statement**Note 1 Revenue, cost of sales and gross profit**

The Group operates in three business segments – After Market Services (AMS), Distribution Management Solutions (DMS)* and Digital Inkjet Printing for Out-Of-Home Advertising Solutions (DPAS).

The breakdown of revenue and cost of goods sold and spare parts are as follows:

In S\$'000	2Q-14	2Q-13	YTD-14	YTD-13
Revenue				
AMS	4,826	7,875	11,991	19,132
DMS	59,705	71,037	136,309	141,696
DPAS	2,026	-	3,579	-
	<u>66,557</u>	<u>78,912</u>	<u>151,879</u>	<u>160,828</u>
Cost of goods sold and spare parts				
AMS	(3,374)	(6,129)	(8,841)	(15,243)
DMS	(54,348)	(64,857)	(125,136)	(129,417)
DPAS	(1,064)	-	(1,891)	-
	<u>(58,786)</u>	<u>(70,986)</u>	<u>(135,868)</u>	<u>(144,660)</u>
Gross profit				
AMS	1,452	1,746	3,150	3,889
DMS	5,357	6,180	11,173	12,279
DPAS	962	-	1,688	-
	<u>7,771</u>	<u>7,926</u>	<u>16,011</u>	<u>16,168</u>
GP%				
AMS	30%	22%	26%	20%
DMS	9%	9%	8%	9%
DPAS	47%	-	47%	-
	<u>12%</u>	<u>10%</u>	<u>11%</u>	<u>10%</u>

* DMS business segment in YTD-14 includes transactions from the Group's wholly-owned subsidiary Shenzhen Quanli Leather (S) Pte Ltd ("Quanli Singapore") and consolidation of Golden Myanmar Sea Company Ltd and Golden Myanmar Sea (S) Pte Ltd ("GMS group").

Note 2 Other income consists of the following:

In S\$'000	2Q-14	2Q-13	YTD-14	YTD-13
Interest income	8	3	14	11
Rental income	90	192	244	389
Liabilities written back	10	20	61	88
Others	17	23	114	54
	<u>125</u>	<u>238</u>	<u>433</u>	<u>542</u>

Note 3 Administrative expenses

The administrative expenses comprise mainly staff cost.

In S\$'000	2Q-14	2Q-13	YTD-14	YTD-13
Staff Cost				
AMS	1,048	1,305	2,414	2,926
DMS	2,442	2,566	4,924	4,902
DPAS	213	-	433	-
Management and HQ support staff costs (including Directors' fees)	512	596	1,148	1,197
	<u>4,215</u>	<u>4,467</u>	<u>8,919</u>	<u>9,025</u>

Included in staff cost is share option expense of \$12,000 and \$25,000 in 2Q-14 and YTD-14 respectively (2Q-13: \$13,000 and YTD-13: \$28,000).

With a 39% and 37% decrease in AMS revenue in 2Q-14 and YTD-14 respectively compared to the corresponding periods in 2013, AMS staff cost had also decreased, due to lower headcount required to support the operations.

Note 4 Other operating expenses

Other operating expenses consist of the following:

In S\$'000	2Q-14	2Q-13	YTD-14	YTD-13
Rental expenses	1,660	1,718	3,445	3,373
Depreciation expenses	460	308	924	601
Plant and equipment written off	-	1	6	1
Loss (Gain) on disposal of plant and equipment	1	(1)	6	1
Allowance for inventories	245	192	490	259
Inventories written off	-	10	-	10
Foreign exchange (gain) loss	93	(3)	122	(8)
	<u>2,459</u>	<u>2,225</u>	<u>4,993</u>	<u>4,237</u>

The increases in depreciation expenses in 2Q-14 and YTD-14 were mainly due to inclusion of DPAS unit.

Higher allowance for inventories in 2Q-14 and YTD-14 compared to the corresponding periods in 2013 was due to change in the overall general stock provision amount to build a higher buffer against price erosions for handset inventory. YTD-13 stock provision included the reversal of excess and un-required stock provision amount of \$122,000 from previous year.

Note 5 Finance costs

Finance costs comprise interest on finance leases and short-term bank borrowings.

The finance costs in 2Q-14 and YTD-14 have increased as a result of new bank borrowings during the periods and finance costs arising from finance leases under DPAS being consolidated into the group.

Note 6 Amortisation expense

The amortisation expense relates to the Group's purchased customer list of Quanli (Hong Kong) Leather Company, which is amortised over a period of 38 months.

Note 7 Income tax expenses

The tax expense provision is calculated for profitable subsidiaries.

1(b)(i) Statement of financial position (for the issuer and Group), together with a comparative statement as at the end of the immediately preceding financial year

In S\$'000	Notes	Group		Company	
		30-Jun-14	31-Dec-13	30-Jun-14	31-Dec-13
ASSETS					
Current assets					
Cash and bank balances		19,480	18,501	9,024	5,292
Trade receivables	1	19,554	28,101	1,803	3,154
Other receivables and prepayments	2	8,622	5,708	16,174	17,587
Inventories	3	28,484	24,528	1,403	1,222
Total current assets		<u>76,140</u>	<u>76,838</u>	<u>28,404</u>	<u>27,255</u>
Non-current assets					
Investment in subsidiaries		-	-	21,142	21,142
Plant and equipment		4,110	4,601	622	731
Goodwill		5,344	5,344	-	-
Intangible asset		2,452	2,916	-	-
Total non-current assets		<u>11,906</u>	<u>12,861</u>	<u>21,764</u>	<u>21,873</u>
Total assets		<u>88,046</u>	<u>89,699</u>	<u>50,168</u>	<u>49,128</u>
Current liabilities					
Short-term bank borrowings		5,800	4,000	-	-
Trade payables	4	14,886	18,811	1,480	2,678
Other payables	5	9,406	11,595	3,220	3,851
Current portion of finance leases		485	432	74	71
Income tax payable		542	882	-	-
Total current liabilities		<u>31,119</u>	<u>35,720</u>	<u>4,774</u>	<u>6,600</u>
Non-current liabilities					
Finance leases		1,169	1,225	251	289
Deferred tax liabilities		206	206	-	-
Total non-current liabilities		<u>1,375</u>	<u>1,431</u>	<u>251</u>	<u>289</u>
Capital, reserves and non-controlling interests					
Share capital		140,172	135,873	140,172	135,873
Capital reserve		(859)	(859)	22	22
Share options reserve		255	1,538	255	1,538
Foreign currency translation reserve		201	100	-	-
Accumulated losses		(84,292)	(84,589)	(95,306)	(95,194)
Equity attributable to owners of the Company		<u>55,477</u>	<u>52,063</u>	<u>45,143</u>	<u>42,239</u>
Non-controlling interests		75	485	-	-
Total equity		<u>55,552</u>	<u>52,548</u>	<u>45,143</u>	<u>42,239</u>
Total liabilities and equity		<u>88,046</u>	<u>89,699</u>	<u>50,168</u>	<u>49,128</u>

Notes

1 Trade receivables

The Group's trade receivables turnover as at 30 June 2014 is 28 days (31 December 2013: 28 days).

2 Other receivables and prepayments

The Group's other receivables and prepayments consist mainly of the following:

S\$'000	30-Jun-14	31-Dec-13
Rental deposits	2,150	2,119
Other receivables	5,620	2,944
Prepayments	406	358

Other receivables of \$5.6 million as at 30 June 2014 comprised mainly of credit notes of \$4.1 million to be received from principals in relation to sell through, advertising and promotion support, and payments made on behalf of a manufacturer of \$0.6 million.

3 Inventories

The Group's inventory turnover for the period ended 30 June 2014 is 35 days (31 December 2013: 27 days).

Group's inventories as at 30 June 2014 is \$28.5 million (31 December 2013: \$24.5 million), with the increase in inventory holding due mainly to higher purchase volume for handsets.

4 Trade payables

The Group's trade payables turnover as at 30 June 2014 is 22 days (31 December 2013: 19 days).

5 Other payables

The Group's other payables consist of the following:

S\$'000	30-Jun-14	31-Dec-13
Advertising and promotion funds from principals	1,778	2,399
Scheduled deferred payment for acquisition of Pixio	2,549	3,145
Other payables to third parties	669	769
Accrued staff costs	994	1,065
Rebates owing to franchisees	427	1,529
Other accrued operating expenses	1,064	1,008

1(b)(ii) Aggregate amount of Group's borrowings and debt securities**Amount repayable in one year or less, or on demand**

As at 30-Jun-14		As at 31-Dec-13	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
485	5,800	432	4,000

Amount repayable after one year

As at 30-Jun-14		As at 31-Dec-13	
Secured (\$'000)	Unsecured (\$'000)	Secured (\$'000)	Unsecured (\$'000)
1,169	-	1,225	-

Details of collateral

The secured borrowings comprise of outstanding finance lease of \$1.7 million on certain motor vehicles and machinery.

1(c) **A statement of cash flows (for the Group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

In S\$'000	2Q-14	2Q-13	YTD-14	YTD-13
Operating activities				
(Loss) Profit before income tax	(188)	605	(276)	1,623
Adjustments for:				
Amortisation expense	246	-	495	-
Depreciation expenses	460	308	924	601
Interest expenses	60	14	105	27
Interest income	(8)	(3)	(14)	(11)
Loss (Gain) on disposal of plant and equipment	1	(1)	6	1
Plant and equipment written off	-	1	6	1
Allowance for inventories	245	192	490	259
Inventories written off	-	10	-	10
Professional fees paid by shares	-	470	100	470
Employee share-based payments	12	13	25	28
Liabilities written back	(10)	(20)	(61)	(88)
Net foreign exchange losses	54	3	76	3
Operating cash flows before movements in working capital	872	1,592	1,876	2,924
Trade receivables	1,587	1,683	8,547	3,327
Other receivables and prepayments	(340)	(372)	(2,914)	(1,490)
Inventories	(5,962)	(166)	(4,446)	(2,037)
Trade payables	58	2,339	(3,925)	4,083
Other payables	(491)	(128)	(2,109)	(1,834)
Cash (used in) generated from operations	(4,276)	4,948	(2,971)	4,973
Interest received	8	3	14	11
Income tax paid	(321)	(476)	(511)	(385)
Net cash (used in) from operating activities	(4,589)	4,475	(3,468)	4,599
Investing activities				
Proceeds from disposal of plant and equipment	1	-	38	-
Purchase of plant and equipment (Note A)	(142)	(369)	(259)	(533)
Net cash used in investing activities	(141)	(369)	(221)	(533)
Financing activities				
Interest paid	(60)	(14)	(105)	(27)
Proceeds from issuance of ordinary shares, net	4,057	904	4,199	1,717
Proceeds from bank borrowings	3,300	2,800	1,800	2,800
Repayment of obligations under finance leases	(119)	(22)	(226)	(43)
Dividends paid to shareholders	(982)	(2,017)	(982)	(2,017)
Dividends paid to non-controlling interest	-	-	(19)	-
Net cash from financing activities	6,196	1,651	4,667	2,430
Net increase in cash and cash equivalents	1,466	5,757	978	6,496
Cash and cash equivalents at beginning of period	17,967	18,359	18,455	17,620
Cash and cash equivalents at end of period	19,433	24,116	19,433	24,116

Notes

A. Purchase of plant and equipment:

In 2Q-14, the Group acquired plant and equipment with an aggregate cost of \$142,000 (2Q-13: \$369,000) of which \$135,000 (2013: \$Nil) was acquired under finance lease arrangements.

In YTD-14, the Group acquired plant and equipment with an aggregate cost of \$259,000 (YTD-14: \$533,000) of which \$210,000 (2013: \$Nil) was acquired under finance lease arrangements.

B. Cash and cash equivalents at end of period comprise of:

In S\$'000	2Q-14	2Q-13
Cash	19,480	24,116
Less: Cash pledged	<u>(47)</u>	<u>-</u>
Cash and cash equivalents	<u>19,433</u>	<u>24,116</u>

1(d)(i) A statement (for the issuer and Group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

<u>In S\$'000</u>	<u>Share capital</u>	<u>Capital reserve</u>	<u>Share options reserve</u>	<u>Currency translation reserve</u>	<u>Accumulated losses</u>	<u>Attributable to equity holders</u>	<u>Non-controlling interests</u>	<u>Total</u>
Group								
Balance as at 1 January 2014	135,873	(859)	1,538	100	(84,589)	52,063	485	52,548
Total comprehensive income for the period								
Profit for the period	-	-	-	-	81	81	(249)	(168)
Other comprehensive income for the year	-	-	-	76	-	76	-	76
Total	-	-	-	76	81	157	(249)	(92)
Transactions with owners, recognised directly in equity								
Reversal of expenses related to equity settled								
share-based payment	-	-	(10)	-	10	-	-	-
Issue of shares upon conversion of warrants	142	-	-	-	-	142	-	142
Issue of shares for settlement of								
professional fees	100	-	-	-	-	100	-	100
Recognition of share-based payments	-	-	13	-	-	13	-	13
Total	242	-	3	-	10	255	-	255
Balance as at 31 March 2014	136,115	(859)	1,541	176	(84,498)	52,475	236	52,711
Total comprehensive loss for the period								
Loss for the period	-	-	-	-	(110)	(110)	(169)	(279)
Other comprehensive income for the period	-	-	-	25	-	25	8	33
Total	-	-	-	25	(110)	(85)	(161)	(246)
Transactions with owners, recognised directly in equity								
Dividends	-	-	-	-	(982)	(982)	-	(982)
Reversal of expenses related to equity settled								
share-based payment	-	-	(1,298)	-	1,298	-	-	-
Issue of shares upon conversion of warrants	4,057	-	-	-	-	4,057	-	4,057
Recognition of share-based payments	-	-	12	-	-	12	-	12
Total	4,057	-	(1,286)	-	316	3,087	-	3,087
Balance as at 30 June 2014	140,172	(859)	255	201	(84,292)	55,477	75	55,552

In S\$'000 Group	Share capital	Capital reserve	Share options reserve	Currency translation reserve	Accumulated losses	Attributable to equity the	Non-controlling interests	Total
Balance as at 1 January 2013	132,856	(859)	1,548	168	(85,976)	47,737	564	48,301
Total comprehensive income for the period								
Profit for the period	-	-	-	-	841	841	21	862
Other comprehensive income for the period	-	-	-	-	-	-	-	-
Total	-	-	-	-	841	841	21	862
Transactions with owners, recognised directly in equity								
Reversal of expenses related to equity settled								
share-based payment	-	-	(29)	-	29	-	-	-
Issue of shares upon conversion of warrants	813	-	-	-	-	813	-	813
Recognition of share-based payments	-	-	15	-	-	15	-	15
Total	813	-	(14)	-	29	828	-	828
Balance as at 31 March 2013	133,669	(859)	1,534	168	(85,106)	49,406	585	49,991
Total comprehensive income for the period								
Profit for the period	-	-	-	-	489	489	13	502
Other comprehensive income for the period	-	-	-	3	-	3	-	3
Total	-	-	-	3	489	492	13	505
Transactions with owners, recognised directly in equity								
Dividends	-	-	-	-	(2,017)	(2,017)	-	(2,017)
Issue of shares upon share options exercised	153	-	(42)	-	-	111	-	111
Issue of shares upon conversion of warrants	793	-	-	-	-	793	-	793
Issue of shares for settlement of professional fees	470	-	-	-	-	470	-	470
Recognition of share-based payments	-	-	13	-	-	13	-	13
Total	1,416	-	(29)	-	(2,017)	(630)	-	(630)
Balance as at 30 June 2013	135,085	(859)	1,505	171	(86,634)	49,268	598	49,866

<u>In S\$'000</u>	<u>Share capital</u>	<u>Capital reserve</u>	<u>Share options reserve</u>	<u>Accumulated losses</u>	<u>Total</u>
Company					
Balance as at 1 January 2014	135,873	22	1,538	(95,194)	42,239
Loss for the period, representing total comprehensive loss for the period	-	-	-	(276)	(276)
Transactions with owners, recognised directly in equity					
Reversal of expenses related to equity settled share-based payment	-	-	(10)	10	-
Issue of shares upon conversion of warrants	142	-	-	-	142
Issue of shares for settlement of professional fees	100	-	-	-	100
Recognition of share-based payments	-	-	13	-	13
Total	<u>242</u>	<u>-</u>	<u>3</u>	<u>10</u>	<u>255</u>
Balance as at 31 March 2014	<u>136,115</u>	<u>22</u>	<u>1,541</u>	<u>(95,460)</u>	<u>42,218</u>
Loss for the period, representing total comprehensive loss for the period	-	-	-	(162)	(162)
Transactions with owners, recognised directly in equity					
Dividends	-	-	-	(982)	(982)
Reversal of expenses related to equity settled share-based payment	-	-	(1,298)	1,298	-
Issue of shares upon conversion of warrants	4,057	-	-	-	4,057
Recognition of share-based payments	-	-	12	-	12
Total	<u>4,057</u>	<u>-</u>	<u>(1,286)</u>	<u>316</u>	<u>3,087</u>
Balance as at 30 June 2014	<u><u>140,172</u></u>	<u><u>22</u></u>	<u><u>255</u></u>	<u><u>(95,306)</u></u>	<u><u>45,143</u></u>
Balance as at 1 January 2013	132,856	22	1,548	(94,280)	40,146
Loss for the period, representing total comprehensive loss for the period	-	-	-	(41)	(41)
Transactions with owners, recognised directly in equity					
Reversal of expenses related to equity settled share-based payment	-	-	(29)	29	-
Issue of shares upon conversion of warrants	813	-	-	-	813
Recognition of share-based payments	-	-	15	-	15
Total	<u>813</u>	<u>-</u>	<u>(14)</u>	<u>29</u>	<u>828</u>
Balance as at 31 March 2013	<u>133,669</u>	<u>22</u>	<u>1,534</u>	<u>(94,292)</u>	<u>40,933</u>
Profit for the period, representing total comprehensive income for the period	-	-	-	2	2
Transactions with owners, recognised directly in equity					
Dividends	-	-	-	(2,017)	(2,017)
Issue of shares upon share options exercised	153	-	(42)	-	111
Issue of shares upon conversion of warrants	793	-	-	-	793
Issue of shares for settlement of professional fees	470	-	-	-	470
Recognition of share-based payments	-	-	13	-	13
Total	<u>1,416</u>	<u>-</u>	<u>(29)</u>	<u>(2,017)</u>	<u>(630)</u>
Balance as at 30 June 2013	<u><u>135,085</u></u>	<u><u>22</u></u>	<u><u>1,505</u></u>	<u><u>(96,307)</u></u>	<u><u>40,305</u></u>

1(d)(ii) Details of any changes in the Company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

Issued share capital

In 2Q-14, the Company issued an additional 811,462,680 new ordinary shares at \$0.005 per share through conversion of 811,462,680 warrants.

As a result, the Company's issued and paid-up capital increased to \$140,171,667 divided into 9,830,806,262 shares as at 30 June 2014.

In 2Q-13, the Company issued an additional 214,860,291 new ordinary shares as follows:

- a) 158,550,736 ordinary shares at \$0.005 per share through conversion of warrants.
- b) 12,000,000, 18,181,818 and 7,894,737 ordinary shares at \$0.010, \$0.011 and \$0.019 per share respectively for settlement of professional fees.
- c) 14,878,000 and 3,355,000 ordinary shares at \$0.005 and \$0.011 per share respectively through conversion of share options.

Warrants

At 30 June 2014, there were 2,921,960,515 (30 June 2013: 3,919,386,195) outstanding warrants. Each warrant carries the right to subscribe for one new share in the capital of the Company at an exercise price of \$0.005.

Share options

The Company has a share option scheme known as mDR Limited Share Option Scheme 2003 which was approved by members of the Company at the Extraordinary General Meeting held on 13 January 2003. The Scheme expired on 12 January 2013. Upon expiration of the Scheme, no further share option can be granted but the provisions of the Scheme will remain in full force and effect in respect of any share options granted prior to the expiration but not exercised at the time of expiration.

At 30 June 2014, there were 45,155,000 (30 June 2013: 54,044,274) outstanding share options which would entitle the holders to subscribe for a total of 45,155,000 (30 June 2013: 54,044,274) ordinary shares.

The 45,155,000 share options outstanding at 30 June 2014 represent approximately 0.46% of the share capital consisting of 9,830,806,262 issued shares at 30 June 2014.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.

	Number of ordinary shares	
	30-Jun-14	31-Dec-13
Issued and paid up	<u>9,830,806,262</u>	<u>8,981,891,673</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Not applicable

2. Whether the figures have been audited, or reviewed and in accordance with which standard

The figures have not been audited or reviewed by the auditors of the Company.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied

The Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period as compared with those used in the audited financial statements for the financial year ended 31 December 2013.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted all the new and revised Singapore Financial Reporting Standards ("FRS") for accounting periods beginning 1 January 2014, where applicable.

The adoption of new / revised FRS and INT FRS does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior period.

6. Earnings per ordinary share of the Group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings per ordinary share <i>(based on consolidated net (loss) profit attributable to equity holders of the Company)</i>	2Q-14 cents	2Q-13 cents	YTD-14 cents	YTD-13 cents
- Basic	(0.001)	0.006	0.000	0.015
- Fully diluted	(0.001)	0.004	0.000	0.011

Basic earnings per ordinary share is computed based on the weighted average number of shares in issue during the period of 9,563,090,120 (2Q-13: 8,741,415,283).

Fully diluted earnings per ordinary share is computed based on the weighted average number of shares during the period adjusted for the effect of all potential dilutive ordinary shares of 11,005,338,710 (2Q-13: 11,633,422,999).

7. Net asset value (for the issuer and Group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30-Jun-14 Cents	31-Dec-13 Cents	30-Jun-14 Cents	31-Dec-13 Cents
Net Asset Value ("NAV") per share	<u>0.56</u>	<u>0.58</u>	<u>0.46</u>	<u>0.47</u>

The NAV per share as at 30 June 2014 is calculated based on 9,830,806,262 (31 December 2013: 8,981,891,673) ordinary shares.

8. A review of the performance of the Group, to the extent necessary for a reasonable understanding of the Group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the Group during the current financial period reported on

Revenue and (loss) profit after income tax

The Group's revenue quarter-on-quarter decreased by 16% from \$78.9 million to \$66.6 million, with a 6% decrease year-on-year from \$160.8 million to \$151.9 million. The decrease in revenue was due mainly to the slowdown in its AMS and core DMS businesses in the retail and distribution segments.

Due to the relatively lower gross margin for the handset repair business, the decline in handset repair revenue resulted in an overall improvement in the AMS gross margins from 22% to 30% quarter on quarter and from 20% to 26% year on year. Gross margins for DMS remained unchanged at 9% quarter on quarter but declined by 1% from 9% to 8% year on year, due to competitive pricing in the mobile distribution and retail businesses. Overall the Group's gross profit margins for 2Q-14 and YTD-14 increased by 2% and 1% respectively, with the inclusion of the higher-margin DPAS.

The Group registered losses of \$0.3 million and \$0.4 million for 2Q-14 and YTD-14 respectively, compared to profits of \$0.5 million and \$1.4 million for the respective corresponding periods in 2013. The slowdown in the AMS and core DMS businesses contributed to the losses to-date. Included in the losses is amortization of the customer list under Quanli Singapore amounting to \$0.2 million and \$0.5 million for 2Q-14 and YTD-14 respectively. Excluding the amortization charge, the Group would be profitable at \$0.1 million and \$0.2 million for 2Q-14 and YTD-14 respectively at the operating level.

Cash flows

In 2Q-14, the Group has utilized more trust receipts for purchase of inventories.

The Group has a deficit cash of \$4.6 million and \$3.5 million from operations in Q2-14 and YTD-14 respectively mainly due to higher inventory holding.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the Group operates and any known factors or events that may affect the Group in the next reporting period and the next 12 months

The Group, with its core AMS and DMS businesses, has not been spared from the overall global sluggish demand for new handsets, as a result of devices saturation. The Group has been and will continue to engage with the operators and manufacturers for innovative product offerings and services, in order to lift overall consumer demand for mobile devices and accessories.

The DPAS segment is a profitable business segment for the Group, and efforts are being made to increase DPAS' contributions to the Group.

On 21 July 2014, the Group announced that MDR Golden Myanmar Sea Company Limited ("MDR Golden"), the business partner of its JV company, MDR Myanmar Limited, has secured a 3-year contract with Ooredoo Myanmar Limited ("Ooredoo") to distribute prepaid cards in 22 townships in Mandalay, Myanmar. MDR Golden is one of two prepaid cards distributors appointed by Ooredoo in Mandalay, and one of six distributors appointed by Ooredoo nationwide. MDR Golden's assigned territory in the 22 townships in Mandalay has an estimated population size of 4.5 million, compared with an overall population size of about 6.5 million for the Mandalay region of Myanmar.

The rollout of Ooredoo telecommunication services is expected in mid-August 2014. The award of the prepaid cards distribution contract to MDR Golden is a milestone in the Group's investment in Myanmar, and will allow the Group to participate in the fast growing telecommunication industry of Myanmar. The Group will strive to grow its Myanmar operations, not only in the prepaid cards business, but also in the emerging devices and accessories retail and distribution businesses, which are expected to accelerate upon the full scale rollout of wireless telecommunication services by the two foreign operators Ooredoo and Telenor.

11. Dividend

(a) Current Financial Period Reported On

Any dividend declared for the current financial period reported on?

None

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommended, a statement to that effect

No dividend has been declared or recommend for the period.

13. Interested Person Transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX Listing Manual (excluding transactions less than \$100,000)
	\$'000	\$'000
Pacific Organisation Pte Ltd - Rental expenses	217	-
Mr Tham Khai Wor - Advisory fee	32	-
- Others	5	-
Total	254	-

14. Use of proceeds

The following sets out the status of the use of proceeds from the conversion of warrants pursuant to the renounceable non-underwritten rights cum warrants issue undertaken by the Company in 2011.

	S\$'000
Balance of proceeds as at 31 March 2014	868
Proceeds received for the period	4,057
Balance of proceeds as at 30 June 2014	<hr/> 4,925

The use of proceeds is in accordance with the intended use of the net proceeds as described in the Offer Information Statement dated 1 September 2011.

BY ORDER OF THE BOARD

Ong Ghim Choon
Chief Executive Officer
13 August 2014

Negative Assurance Confirmation under Rule 705(5) of the Listing Manual

We, Mah Kah On and Ong Ghim Choon, being two directors of mDR Limited (the “Company”), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the second quarter 2014 financial results to be false or misleading in any material respect.

On behalf of the Board of Directors

Mah Kah On
Chairman of Audit Committee

Ong Ghim Choon
Chief Executive Officer

Singapore, 13 August 2014